

STATEMENT

Insurance Association of Connecticut

General Law Committee

Tuesday, February 26th, 2008

SB 30, An Act Concerning Privacy and Identity Theft

The Insurance Association of Connecticut (IAC) and American Council of Life Insurers (ACLI) support protecting individual's private information like social security numbers and increasing the penalties against those who use them for fraudulent purposes. However, the IAC and ACLI are opposed to many of the provisions contained in SB 30 as they are overly broad and unnecessary.

Section 8 of SB 30 seeks to prohibit businesses from requiring an individual to provide a social security number to obtain goods and services, which would result in the insurance industry being unable to comply with both federal and state mandates. Section 8's very broad scope would result in a ban on the insurance industry's use of social security numbers for what are valid and necessary purposes. In a February 1999 report, the U.S. General Accounting Office noted:

Simply stated, the uniqueness and broad applicability of the SSN have made it the identifier of choice for government agencies and private businesses, both for compliance with federal requirements and for agencies' and businesses' own purposes.

The insurance industry is already charged with protecting sensitive information, like social security numbers, under the Gramm-Leach-Bliley Act and other state and federal privacy laws. SB 30 unnecessarily restricts access and use of this widely used identifier.

Additionally, SB 30's prohibition on the use of the social security number and the sharing of a social security number with third parties contradicts federal compliance requirements. Certain products sold by the insurance industry generate taxable income for our customers. Under federal law we are required to

report that taxable income. Social security numbers are the identifier used by the government for those records. An insurance company may use a vendor to facilitate the report requirements now pursuant to the terms of SB 30 the industry would be beholden to its customer prior to being able to share such information and fulfill the industry's obligation to the federal government.

The insurance industry is also subject to the U.S. Patriot Act requirements in that the industry is required to know who our customers are for security purposes. The use of the social security number is the best tool to meet those requirements. Any limitation on the insurance industry's use of the social security number will result in the insurance industry not being able to comply with federal law and may prevent the industry from being able to sell various products to our customers.

Under the Connecticut law, passed just three years ago, C.G.S. Sec. 05-251 was amended requiring any insurer who settles a claim with an individual to perform matches with the Department of Administrative Services to determine if the individual owes any money to the state. A key component of performing those matches is the use of the individual's social security number, name, age and date of birth. Pursuant to the terms of SB 30 the industry no longer will be able to comply with requirements of that Connecticut law.

Additionally, C.G.S. section 42-470 already places tight restrictions on the use of social security numbers and their disclosure. There is an outright prohibition from printing an individual's social security number on any ID card. Sec. 42-470 further provides additional protections should the number be used via the Internet and maintains penalties for the private sector for violating its requirements. It is important to note that the state and its agencies are not subject to the protections and restrictions contained within Section 42-470. Furthermore, the insurance industry also is subject to the provisions of Sec. 38a-977, the Connecticut Insurance Information and Privacy Protection Act and Sec. 38a-105-8 through 38a-105-23, Privacy of Consumer Financial Information, which requires insurers, agents and third party vendors to safeguard Connecticut insurance consumer's private information.

In addition to federal and state law requirements, the insurance industry uses social security numbers routinely in the day-to-day internal operations. For example, a family of a deceased person may not have the policy information for the decedent. Using the person's name, date of birth and social security number, all sources of personal identifying that would be prohibited from use pursuant to SB 30, a company can readily identify a policy and benefits. A person's birth date and social security number are usually required to request a motor vehicle operator's report. Likewise many internal fraud detection tools are tied to social security numbers. By precluding the use of social security numbers; and name, age and date of birth, for identification purposes as related to any contract or policy, SB 30 will have a direct detrimental effect on the legitimate operations of insurers. It will be an extremely costly venture for the industry to develop other ways of providing these services, so of which will be impossible.

Finally, SB 30 improperly lowers the standard that must be met for compliance from willful violations. SB 30 would penalize business entities for simple mistakes. The standard has always been willful violation and should remain such.

Overall SB 30 places unequal burdens on the private sector versus government entities. As we saw last year, and continue to see, government entities are the ones that need to provide more protections for consumers and those entities that must report to them. Although SB 30 maintains stiff penalties for those in the private sector that violate its provision, how would those penalties be administered if the private sector complies with SB 30's requirements but a violation is caused by a government entity that it is required to report to? Will the private sector be held responsible for the third party, government entities, violation?

This legislative body has rejected for years the concepts contained in SB 30 as they apply to the business community. The IAC and ACLI urge your continued rejection of the outright ban on the use of social security numbers, and private information as contained in SB 30.